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SUBJECT: Belgian Leader Leterme
Stumbles in Major League Debut as he
tries to form a Cabinet

¶1. (U) For Yves Leterme, the first week of trying to form Belgium's next government has been a sobering experience. His interlocutors at the government formation talks have given him a rude welcome to the premier division of Belgium's political world. To make matters worse, Leterme himself has contributed to the dismal show with two embarrassing gaffes, both of which occurred on Belgium's National day.

¶2. (SBU) As has been widely reported in the international press, Leterme could not remember why his country celebrated its national day on July 21, and he could not remember the French version of the national anthem. (Leterme is a Fleming.) The cascade of mistakes fed already extant suspicions that he was a closet Flemish nationalist, and sparked a series of stinging attacks in the francophone press. The gaffes and the press critiques together put him on the defensive as the formation talks began on July 23.

¶3. (U) The first week of direct negotiations among the two Christian Democratic and two liberal parties has produced an agreement, in principle, on lowering income taxes. After having dragged her feet for several days, francophone Christian Democratic Party (CDH) president Joelle Milquet caved in, but immediately added that in working out the tax cut modalities, she would make sure to fulfill her party's promises on upgrading pensions and social welfare entitlements. This first hurdle taken allowed the two liberal parties to boast about a major concession wrenched out from the Christian Democrats.

¶4. (U) As the week closed, Leterme announced the formation of working groups on the politically touchy

subject of fashioning incentives and/or sanctions to "force" the long-term unemployed back to work. The Liberals believe in sanctions, while the Christian Democrats favor less draconian measures. Although this discussion may well go the Christian Democrats' way, they are taking place against the gloomy backdrop created by growing concerns about the 2007 budget and the government's ability to keep it out of the red without further belt tightening measures.

15. (SBU) Leterme also has conducted his first exploratory discussions on the institutional agenda. He is handling this matter personally in a series of direct talks with the other party leaders. The presence at the negotiating table of Bart De Wever, the Flemish nationalist leader of the N-VA, and his francophone counterpart, Olivier Maingain of the FDF, will not necessarily contribute to any easing of tension over linguistic questions.

16. (SBU) Comment: Local analysis of the first week of coalition talks reflects the commentator's linguistic allegiance. While there is a consensus that the discussions are progressing at a disappointingly slow pace, most Flemish commentators profess a relative indifference, arguing that this has happened before. The francophone press, reflecting the fears of its audience, appears deeply concerned that Leterme has let loose "institutional demons" that ultimately might threaten the foundations of the Belgian state. Some Francophone commentators are even pleading with outgoing premier Guy Verhofstadt (Open VLD) to come back.

17. (SBU) At this stage, we see no reason not to believe that Leterme will succeed in cobbling a government together between "orange" (the Christian Democrats) and "blue" (the liberal parties). From our perspective, the present difficult discussions between the four parties are the natural result of having former rivals sit down together. The way the electorate has shuffled the cards, there is no real alternative now to a government involving Liberals and Christian Democrats. In this process the formateur plays a key role, and Leterme's clumsy antagonizing of the francophone public opinion is certainly not the best way to secure success.

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